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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

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11 August 1970

DIA and DOS review(s) completed.

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Approved For Release 2004/03/17 : CIA-RDP79T00975A016900040001-0

Approved For Release 2004/03/17 : CIA-RDP79T00975A016900040001-0

No. 0191/70
11 August 1970

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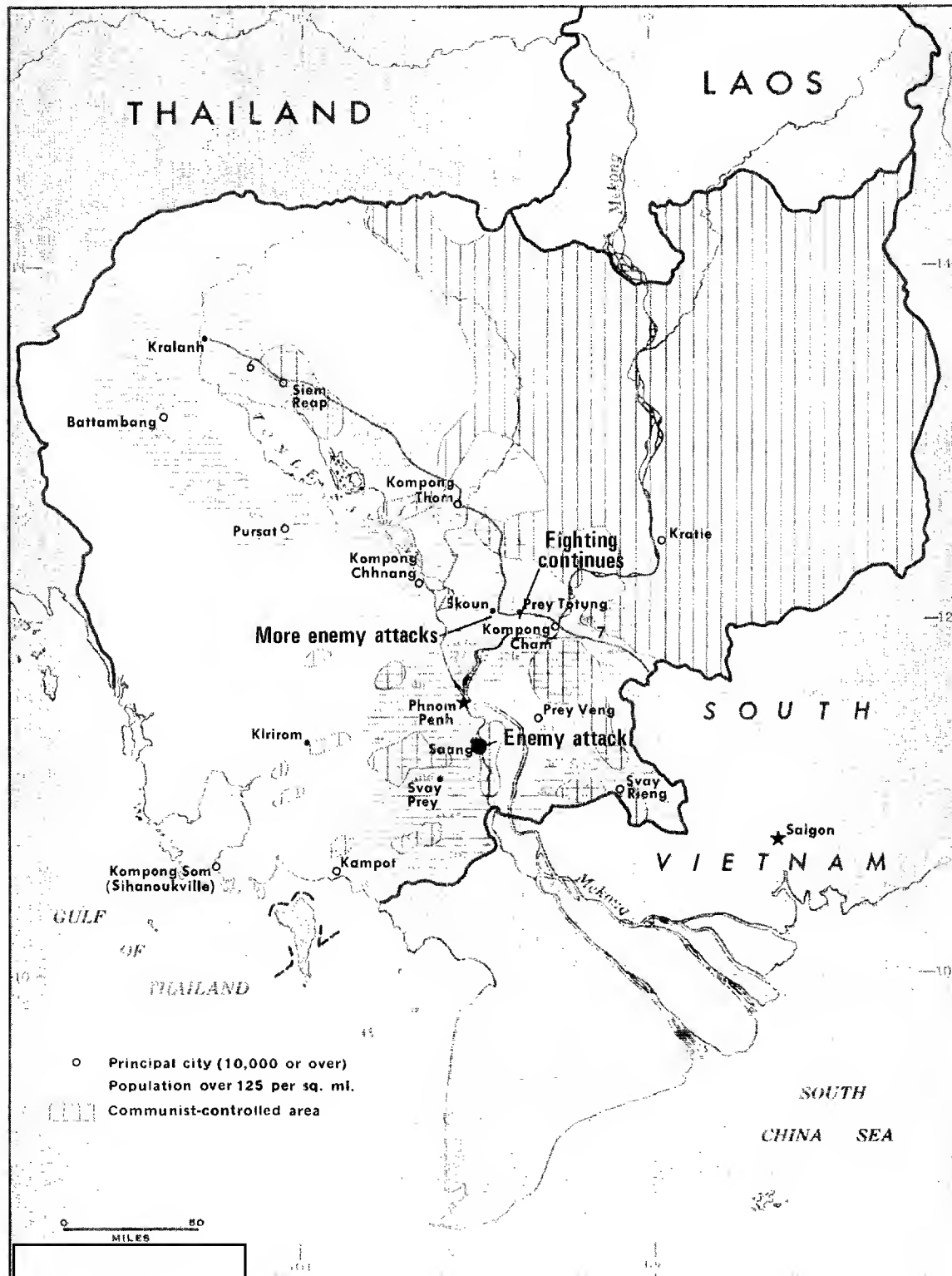
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CAMBODIA: Current Situation



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Cambodia: The Communists continue to harass government forces at scattered locations.

Enemy troops in Kompong Cham Province again hit the town of Prey Totung yesterday, and government defenders have called for air support. Fifteen miles to the west, Cambodian troops at Skoun apparently were also attacked again. These Communist attacks along Route 7 probably are designed to isolate Kompong Cham city.

Press accounts also indicate that fighting continued near Saang, 20 miles south of Phnom Penh, which has been harassed periodically by the enemy since April. A 600-man Communist force attacked government positions east of the small town yesterday, following a heavy mortar barrage. At last report, Saang was still in government hands.

The US defense attaché in Phnom Penh reports that the attacks near the capital on the night of 9 August were exaggerated by the press. Phnom Penh was not the object of the attacks, which apparently were carried out by only small numbers of enemy troops. The recent flurry of enemy activity near the capital may, however, portend bolder raids in the near future.

Southwest of Phnom Penh, the enemy is still digging in near Kirirom. A large government patrol met stiff resistance while probing enemy positions there on 8 August. [REDACTED]

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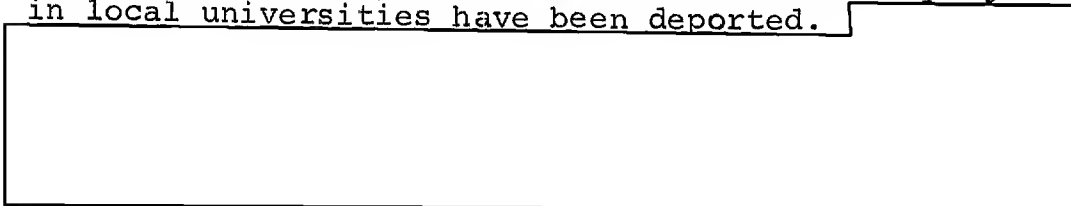
Arab States: The fedayeen are continuing their attempts to sabotage the recent peace moves while Egypt and its supporters are pressing them to end their opposition.

The central committee of the Palestine Liberation Organization has called for a Vietnam-type war in the Middle East. In a statement denouncing current attempts to achieve peace, the committee called upon all who had supported the fedayeen movement to continue material and political aid. Meanwhile, a fedayeen newspaper warned that Jordanian Government attempts to curb guerrilla activities and to crush the fedayeen movement could lead to further clashes in the next few days.



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Among the various pressures being put on the fedayeen is Libya's suspension of its subsidy to Fatah. Moreover, a weekly half-hour radio program produced by the fedayeen organization and broadcast over Radio Benghazi has been canceled. In Egypt, a number of fedayeen-sponsored Palestinians studying in local universities have been deported.



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USSR-Libya: Tripoli has received more Soviet military equipment, but claims it is standing firm on a decision to exclude Soviet advisers from the country.

US Embassy officials in Tripoli report the arrival on 9 August of a Soviet freighter carrying military equipment, the third such shipment since deliveries began in mid-July. Tanks, artillery pieces, and tracked vehicles were identified being offloaded. The two earlier shipments consisted of at least 90 T-54/55 medium tanks as well as armored personnel carriers, scout cars, artillery pieces, and large quantities of tank ammunition.

Libyan officials have indicated that Soviet military advisers will be kept out of the country, and that training will be left to Arabs, although problems arising from the use of Soviet equipment may dictate otherwise. Deputy Prime Minister Jallud recently reaffirmed previous statements that Libya would deal with all nations, and that one "occupier" would not be replaced by another.

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East Germany: Party leader Walter Ulbricht has written letters to several NATO and nonaligned countries in a new effort to secure recognition.

This latest diplomatic initiative preceded the announcement of Soviet - West German agreement on a nonaggression pact, but probably was stimulated by progress in the talks. Ulbricht's letters, delivered in Warsaw by the Polish deputy foreign minister to diplomats from Belgium, Canada, Denmark, France, Holland, and Italy, asked for the establishment of diplomatic relations with the Pankow regime and UN membership for both German states. Similar letters reportedly were also delivered to Swedish and Austrian representatives in other East European capitals.

Calling attention to what he considers the fundamentally new situation in European politics, Ulbricht argued that the Erfurt and Kassel meetings between East and West German heads of government have "extraordinarily high rank under international law," and that such processes go "far beyond mutual de facto recognition." Ulbricht contended that because of the progress in these talks, an exchange of ambassadors with Bonn should be the next logical step. There should, therefore, no longer be any reason for third countries to withhold full recognition of East Germany.

The letters probably mark the beginning of an intensified campaign to secure international recognition and UN membership for East Germany. East European assistance in delivering the communications suggests that the Soviet Union approved the plan in advance. The idea for the initiative, however, probably originated in Pankow.

So far the response has been negative. Belgian officials in Warsaw already have been instructed by their government not to reply to the letter. The other recipients are also likely to ignore the appeal.

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U Uruguay: Intensive military and police search operations in Montevideo have, so far, failed to recover the two remaining hostages held by the extreme leftist Tupamaros.

According to an unverified communiqué from the terrorists, Brazilian Consul Gomide was to be killed last night, but as of midnight there was no confirmation of his death.

Popular indignation over the killing of one of the American hostages, whose body was discovered early yesterday, has resulted in unprecedented public support for efforts by the security forces to find the second American and the Brazilian consul; crowds actually cheer when suspects are placed under arrest.

Despite continued pressure from the Brazilian Government, President Pacheco's refusal to negotiate with the kidnapers for the release of some 160 imprisoned Tupamaros remains firm. The near-dictatorial powers he requested to fight the terrorists have been granted temporarily by the congress. [REDACTED]

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Bolivia: The new cabinet reflects President Ovando's acceptance of at least some of the military's demands.

The exclusion of leftist Information Minister Bailey, who had incurred the wrath of the armed forces, was the only change in the cabinet announced yesterday. His removal should ease the political tension that has existed in La Paz for more than a week.



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Army commander General Miranda, who emerged relatively stronger from the confused events of the past two weeks, will continue to press for further moderation in government policy. The President is likely to look for a way to pacify leftist elements in the country, who will be upset with Bailey's dismissal, but the armed forces leaders will be keeping a close eye on the shifty Ovando. General Miranda hopes to keep Ovando in office, but if the President retreats from this move toward moderation Miranda appears to have sufficient strength to lead a successful coup.



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Turkey: The government's decision to devalue its currency has long been urged by the International Monetary Fund in order to improve Turkey's chronically weak balance of payments current account and to permit some relaxation of its highly stringent exchange and trade controls.

Unexpected cutbacks in foreign aid from some countries that are critical of Turkey's economic policies have aggravated the balance of payments difficulties in the past two years. The devaluation, which closely aligns the currency's value to the prevailing black market rate, should in time offer some relief to the foreign exchange shortage by stimulating exports. The government simultaneously raised support prices for a number of agricultural export products. It is unlikely, however, that any immediate efforts will be made to dismantle most of the highly protective controls over imports.

The Demirel government, already seriously weakened by dissension within the ruling Justice Party, faces bitter domestic criticism over the decision to devalue. The opposition will claim that the action primarily benefits foreigners investing in Turkey while increasing the domestic cost of living. Urban areas will be particularly hard hit by the increased cost of fuel oil products and sugar, as well as by the increased cost of imported items. [REDACTED]

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Ceylon: The government reportedly will double the consumer ration for rice next month.

According to unofficial news reports, Prime Minister Bandaranaike will increase the weekly rice ration from its present two pounds per person to four pounds--the level prevailing during her previous administration (1961-65). Consumers will continue to receive two pounds free and the remainder can be bought at about 40 percent below current Colombo market prices.

The government reportedly also plans to increase rice imports from Communist China and Burma to 450,000 tons in 1970-71. Even though domestic production most likely will be at an all-time high this year, the additional imports are needed to ensure that the government has sufficient rice to cover the increased ration in the event that procurements from rice farmers are inadequate. Unless per capita rice consumption increases substantially, the increase in imports will permit the government to replenish its dwindling rice stockpiles.

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NOTES

Somalia: Mogadiscio has finally released the US-owned Midnight Sun and its crew after having detained the oil-exploration ship for over six weeks in the port of Chisimaio. Although the military regime did not press charges against the ship owners or crew, in a note to the US Embassy last week it reaffirmed its position that the ship had violated Somali territorial waters. As an indication of the government's continuing anti-US feeling, the note also implied official US responsibility for the incident by stating that the regime expected the US to ensure that no future "violations" of this nature would occur "under any circumstances." [REDACTED]

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